RCP’s draft decision

- The RCP draft decision accepts the ERA’s proposal with modifications.
- In the RCP’s modifications, the ERA Secretariat identified barriers to the efficient allocation of capacity values to facilities.
- This presentation identifies key issues of the RCP’s draft decision and makes recommendations for addressing those issues.

1. Using the Delta method to allocate fleet capacity value to individual candidate facilities is unlikely to provide results consistent with principles of capacity valuation. It will cause highly variable results.

–


egulation Authority
Economic

- RCP considered to use top 50 peak demand and peak LSG periods for calculating average performance and allocation to small facilities. (note peak LSG=peak LOLP, peak LOLP(ex all other facilities output) ~ peak Demand)
- Delta method results still do not make sense given average performance over this sample
- This is not to state that a sample of top 50 peak demand and 50 peak LSG

RCP's reasons to discount the ERA's proposed allocation method were not reasonable

- RCP may consider:
  - The application of Delta method at facility class level (to possibly improve the calculation of class ELCCs). The ERA's proposed method relies on First-in ELCC for facility groups. There might be merits in using Last-in ELCC information as well.
  - The effectiveness of the sampling method and consider alternative samples having regards for representativeness of the sample and sensitivity of results.

•


egulation Authority
Economic

The RCP stated:

The Rule Change Panel considers that, while the Planning Criterion does not specify a target LOLE, the following can be implied:

(1) if AEMO was to procure the exact amount of Capacity Credits set by the Reserve Capacity Requirement from only Scheduled Generators, the resulting system reliability would be acceptable; and

(2) if AEMO was to instead procure the exact amount of Capacity Credits set by the Reserve Capacity Target with a proportion coming from Intermittent Generators, the

The RCP’s explanation in the previous slide is inconsistent with the WEM rules:

- All generators have Availability Class 1, including IGs
- WEM rules require a minimum amount of the RCT to be covered by AC1.
- Standalone ESR and DSPs have AC2.

- The proposed adjustment to the camf a mum ضذ

Possible solution

- The ERA relied on EPWA's assessment of the depth of loss of load events likely to happen in the SWIS and proposed a target LOLE of 4 hours (that was the best available information).
- **A possible solution**: AEMO will soon develop system adequacy models for short and medium term adequacy assessments. AEMO would be able to determine the expected duration of shortfall events in the SWIS at the target level of adequacy risk specified in the planning criterion. AEMO can set the target LOLE to be used in the RLM.
- Otherwise in the future EPWA might introduce an explicit target LOLE.